

Application No. 10/021,124
Amendment dated February 26, 2004
Reply to the Office Action of November 26, 2003

REMARKS

Applicant has amended claims 1-4, and added claims 22-24. Claims 1-24 are now pending in this application.

In the office Action dated November 26, 2003, the Examiner rejected claims 1-21 under 35 U.S.C. § 103(a) over Basch et al (U.S. Patent 6,119,103) ("Basch").

Applicant's remarks, below, may be preceded by quotations of related comments of the Examiner, presented in small bold-face type:

**Claims 1-21 are rejected under 35 U.S.C. 103(a) as being anticipated by
Basch et al ...**

The undersigned has reviewed the November 26, 2003, Office Action and respectfully traverses all rejections for the reasons set forth herein. No new matter has been added. The undersigned respectfully requests that all pending claims, as amended, be allowed.

Before addressing the merits of the rejection, some brief comments reviewing the invention may be helpful. The following comments are provided exclusively to facilitate the Examiner's review of the invention and should not be interpreted in any way as narrowing the scope or breadth of the present invention.

In general, Applicant's invention is directed to a method and system for facilitating the real-time identification, assessment, and management on a worldwide basis of risks, such as legal, regulatory, financial, and reputational risks, associated with a financial transaction. The invention is particularly useful to financial institutions, which often need to promptly assess and qualitatively manage the multifaceted risks that may stem from the execution of a proposed or pending financial transaction, or other operation. These institutions do not generally have a mechanism that can provide real time assistance to their personnel responsible for making risk determinations associated with financial transactions, particularly if the transaction at issue requires a review of international data that may be related to the transaction.

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The present invention facilitates all these operations by maintaining a computerized risk clearinghouse that can monitor and assess selected risk variables, including, for instance, government advisories, historical data, world events, and the like. Furthermore, by generating a log of the risk management process, the present invention enables financial institutions to demonstrate, to regulatory bodies or other interested parties, compliance with its obligations of risk containment and management.

One of the many unique features of the present invention is the risk specific action response. Specifically, once the risk variables associated with a transaction have been assessed and a risk quotient has been generated, then an action commensurate with the risk quotient is suggested to the inquiring institution, which may then properly reach a conclusion as to the feasibility of a proposed or pending transaction.

The Applicant notes that, although previously implicit in the recited claims, he has amended claims 1-4 to more clearly relate the claims to the technological arts. In addition, claims 22-24 have been added to specifically utilize terminology present in the specification and further clarify the specific types of risks addressed by the present invention, as discussed in the specification. See Application, p. 2, lines 1-10.

Applicant respectfully submits that no new matter has been added, that the amendments have been made in good faith and that Claims 1-24 are in proper form for allowance.

35 U.S.C. § 103

The Examiner has rejected claims 1-21 under 35 U.S.C. § 103(a) as being obvious over Basch. The Applicant respectfully traverses this rejection because without using the Applicant's disclosure as a blueprint to reconstruct the pending claims out of isolated teachings in the Basch patent, there is nothing in Basch that in any way teaches or suggests the present invention or that makes it obvious as a whole, to one of ordinary skill in the art.

Specifically, Basch is directed to and the description focused on a system and method for predicting and assessing only the financial risk that may be associated with a financial

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transaction of an already existing account holder, or with a first issued account. The Basch system and method require that at least one first credit account issues to an account holder by a credit account issuer. The risk is calculated by monitoring the transactions made by the account holder in one or multiple accounts held with one or multiple account issuers. A score is then formulated for an account, and when such account score goes below a predefined financial risk threshold, a warning may be transmitted to one or more account issuers. The warnings are issued to enable account issuers mitigation of further financial losses.

The Basch invention, however, is not directed to facilitating financial institutions in the assessment of the legal, reputational, regulatory, and financial risks that may be involved with a proposed transaction or with the opening of an account. In fact, even with financial transactions, pre-assessment of risk is neither taught or in any way suggested because, as stated above, Basch requires that at least an account be already in place. Review of Basch further shows that its system and method is intended to improve fraud or insolvency detection of account holders that may get around existing credit bureaus reporting systems, by maxing out all of their existing accounts prior to the billing cycle and then filing for bankruptcy or otherwise avoiding repayment. Whereas the present invention noticeably facilitates risk management obligations, particularly that of financial institutions, Basch attempts to overcome the flaws of present credit bureaus reporting systems by issuing warnings directly at the account issuer's level. But even as to these warnings, they are far from teaching or suggesting the generation of a risk quotient and complementary suggested action, because the Basch warnings are only issued if a predetermined minimum threshold is reached. Furthermore, the transaction scoring method described in the Basch patent is based primarily on scoreable transaction patterns not on risk variables; the scoreable transactions relate to events associated with at least a first issued account and not with a proposed transaction per se.

The Basch patent, however, in no way teaches or suggests any methods or systems related to the identification and evaluation of regulatory risk, financial risk, reputational risk and legal risk associated with a proposed financial transaction due to identification of multiple risk

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variables, as disclosed in the present invention. Furthermore the Basch patent does not in any way teach a method by which such risks, including financial risk, may be calculated prior to the opening of an account, because, as stated above, the risk score generated in Basch is strictly based on transaction or event patterns relating to an account holder and developed from transactions already performed on one or multiple accounts. (See col. 20, lines 62-67; col. 22, lines 12-15; col. 23, lines 46-55; col. 24, lines 34-43).

The Applicant notes that the initial burden of presenting a *prima facie* case of unpatentability on obviousness grounds under § 103 rests with the Examiner. In re Oetiker, 977 F.2d 1443, 1445 (Fed. Cir. 1992); see also In re Piasecki, 745 F.2d 1468, 1472 (Fed. Cir. 1984); In re Rinehart, 531 F.2d 1048, 1052 (C.C.P.A 1976). To properly establish a *prima facie* case of obviousness, the Examiner must show: (1) that the prior art reference teaches or suggests all the claim limitations (2) a suggestion or motivation, either in the reference or in the knowledge generally available to one of ordinary skill in the art, to modify the reference; (3) a reasonable expectation of success. See MPEP § 706.02(j). Guided by the legal principles that must of necessity be applied to deny patentability to the present invention, the Applicant does not believe the Examiner has carried his burden of establishing a *prima facie* case of obviousness in this case.

First, the Applicant submits that Basch does not teach or suggest all the claim limitations in the pending claims. In the November 26, 2003, Office Action the Examiner has improperly grouped together in a common rejection all of the independent claims of the present invention, specifically claims 1, 2, 16, 19, 20 and part of 21,¹ and after reciting *verbatim* most of the elements of pending claim 1, it has summarily referenced 10 claims of the Basch patent, as well as its Abstract and Figure 1, has containing the teachings of all of the rejected independent claims. Without specifying the merits of the rejection as to each claim, the Applicant is unable

¹ Claim 21, although treated separately by the Examiner as it pertains to the differences between it and the prior art, incorporates by reference the discussion relating to the allegedly corresponding teachings in Basch of the cited claims. See Office Action, p. 5.

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to discern how the Basch reference teaches or suggests all the claim limitations of all the pending independent claims, as the Examiner asserts.

The Federal Circuit has made clear that the “prima facie notion...was intended to leave no doubt among examiners that they must state clearly and specifically any objections (the prima facie case) to patentability, and give the applicant fair opportunity to meet those objections with evidence and argument.” *In re Oetiker*, 977 F.2d at 1449 (internal citations and signals omitted) (parenthesis in original) (Plager J. concurring) (emphasis added). To that extent, the Manual of Patent Examining Procedure (MPEP) has further articulated a rule which directs examiners to “to clearly articulate any rejection early in the prosecution process so that the applicant has the opportunity to provide evidence of patentability and otherwise reply completely at the earliest opportunity.” See MPEP § 706 (Eight Edition 2001) (emphasis added). In addition, the MPEP further instructs examiners that in making Section 103 rejections it is preferable to set forth “the relevant column or page number and line number” of the teachings relied upon. MPEP § 706.02(j).

In his November 26, 2003, Office Action, the Examiner, in an effort to find a basis for his rejection, has mostly ignored these guidelines and has misconstrued the Basch reference as well as the pending claims. For instance, the Examiner states that Basch teaches, *inter alia*, a computer data signal for managing risk related to a financial transaction as recited in pending claim 20. However, a careful review of the reference shows that Basch does not disclose, teach or in any way suggest, neither in the portions cited by the Examiner or anywhere else in the patent, the aforesaid computer data signal, or any other type of computer data signal.

Furthermore, the Applicant objects to the Examiner’s picking and choosing of certain elements out of the pending claims in order to find that they are taught in the prior art. According to the Examiner, Basch teaches “a computer-implemented method, a computerized system, a computer executable program code residing on a computer readable medium and a computer data signal for managing risk related to a financial transaction.” As to this first assertion, it is not relevant that the Basch system and method disclose some computer elements,

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because so do thousands of other patents. What is of relevance, instead, is the patentable significance of a claimed computer-implemented method and system, which can only be found when looking at each claim in its entirety and not in the isolation of each of the terms it contains.

The *verbatim* recitation of the elements of claim 1 is also erroneously attributed to all of the pending independent claims, because, for instance, pending claim 2 requires, *inter alia*, “receiving ...informational data related to a financial transaction risk variable, receiving ... a list containing one or more financial transaction risk variables.” These elements are not addressed by the Examiner in any fashion, and understandably so because Basch neither teaches or in any way suggests them. To make another example, nothing in Basch teaches or suggests “receiving a financial transaction risk variable,” and “associating” said risk variable to the “informational data from an information source” as disclosed in claims 1, 2, 16, 19 and 20. As yet another example, claim 21, for which the Examiner incorporates by reference the discussion relative to claim 1, discloses “identifying a risk variable to a risk management server” a teaching that is most certainly not present in Basch which neither addresses risk management, or much less teaches or suggests a risk management server in which a risk variable is identified.

The Examiner’s piecemeal method of examination, shows that his attentive, albeit exclusive, focus on the isolated differences between the pending claims and the Basch disclosure, led him to the conclusion that the failure of Basch to teach elements such as a “communications network, executable software stored on the server ...and a computer data signal” would not be fatal to his rejection, because those elements can always be deemed inherent in Basch. Once again, another example of how the Examiner carefully extracted elements out of the claims to improperly explain the single differences. However, “identification in the prior art of each individual part claimed is insufficient to defeat patentability of the hwole claimed invention.” In re Kotzab, 217 F.3d 1365, 1370 (Fed. Cir. 2000). Furthermore, inherency is not a proper standard to be used in Section 103 rejections, because “[t]hat which may be inherent is not necessarily known [and] [o]bviusness cannot be predicated on what is unknown.” In re Spormann, 363 F.2d 444, 448 (C.C.P.A. 1966); *but see cf. Application of*

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Fitzgerald, 619 F.2d 67, 70 (C.C.P.A. 1980) (finding that inherency was permissible under § 103 to find a functional characteristic of a claimed product that was identical to the prior art).

For the foregoing reasons, the Applicant respectfully submits that the Examiner has failed to establish the first element of a prima facie case for obviousness, in that he has not shown how Basch teaches or suggests every element of the pending independent claims as required by Section 103.

Secondly, with respect to the elements of the pending claims which the Examiner acknowledges are missing in Basch, the Applicant respectfully submits that there is no suggestion or motivation either in Basch or in the knowledge generally available to one of ordinary skill in the art, to modify the reference and arrive at the Applicant's invention as a whole.

The Federal Circuit instructs that "deficiencies in the cited references cannot be remedied by...general conclusions about what is 'basic knowledge' ... to one of ordinary skill in the art" and that the Examiner must point to some concrete evidence in the record to support his findings. *See In re Zurko*, 258 F.3d 1379, 1385 (Fed. Cir. 2001) (emphasis in original). Even where obviousness is based on a single prior art reference, "there must be a showing of a suggestion or motivation to modify the teachings of that reference," and the Examiner must specifically make findings thereto. *In re Kotzab*, 217 F.3d at 1370; *see also B.F. Goodrich Co. v. Aircraft Braking Sys. Corp.*, 72 F.3d 1577, 1582 (Fed. Cir. 1996). Conclusory statements by the Examiner do not constitute the requisite evidence upon which a Section 103 rejection may rest. *In re Kotzab* 217 F.3d at 1370.

In this case the Examiner simply states that the steps of "tagging the information with an indicator of the information source and transmitting a link to the information source" are not "explicitly taught." Then he adds that:

**Official notice is taken that these steps are old and well known in the art.
These steps help identify the source of information and make it easy for the**

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user to contact the information source. It would have been obvious to one with ordinary skill in the art at the time of invention to include these steps to the invention of Basch. The combination of the disclosure taken as a whole suggests that it would have helped the user identify the source of information and make it easy for the user to contact the information source when necessary.

See November 26, 2003, Office Action, p. 3. Similarly, with respect to claim 21, the Examiner states that:

Basch does not explicitly teach the step of receiving a link to the information source. Official notice is taken that the step of receiving a link to the information source is old and well known in the art. This step help[sic] helps the user make contact with the information source in a timely and efficient manner. It would have been obvious to one with ordinary skill in the art at the time of invention to include the step of receiving a link to the information source to the invention of Basch. The combination of the disclosures take as a whole suggests that it would have helped the user make contact with the information source in a timely and efficient manner.

See November 26, 2003, Office Action, p. 3.

As a preliminary matter, the Applicant traverses the Examiner's "official notice" because it lacks any support in the record, and requests that the Examiner provide the required evidence in accordance with the rules of the Patent Office as set forth in the MPEP.

Additionally, the Applicant respectfully submits that the Examiner's assertions amount to no more than improper conclusory statements, which at best are based on the Examiner's own understanding and certainly not on the required suggestions or motivation to modify the reference. In addition, it is unclear how the Examiner believes that the Basch disclosures as a whole would have suggested the purpose stated in the rejection, or how these disclosures would have suggested and made the present invention obvious as a whole. Once again, the Examiner has focused on individual differences between Basch and the Applicant's invention, and reached a determination that those differences would have been suggested by the "whole" of the prior art disclosures. As the Examiner is well aware of, however, Section 103 provides, in relevant part that :

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A patent may not be obtained ... if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

35 U.S.C. § 103(a) (2000) (emphasis added).

The determination of obviousness must be made on the claimed invention as a whole, not on the prior art taken as a whole, and the Federal Circuit has repeatedly cautioned against **focusing on the obviousness of the differences between the claimed invention and the prior art**, which is precisely what the Examiner has done in his Office Action. See e.g. Hybritech Inc. v. Monoclonal Antibodies, Inc., 802 F.2d 1367, 1383 (Fed. Cir. 1986).

Accordingly, the Examiner has failed to establish that Basch combined with what he alleges to be old and common knowledge would have suggested the modification to arrive at the present invention as a whole, as opposed to arrive at the missing elements of the Basch disclosure.

Third, the Examiner has completely failed to address or explain "the reasonable expectation of success" in making the allegedly obvious modifications. Accordingly, he fails to meet even the third element for establishing a prima facie case of obviousness as indicated in Section 706.02(j) of the MPEP.

In summary, because the Examiner's rejection is predicated on the mere identification in Basch of individual components of the pending claims, the rejection cannot stand. *See In re Kotzab*, 217 F.3d at 1371. Therefore, because Basch does not in any way teach or suggest, and thus make obvious, the present invention as a whole, the Applicant respectfully request that his rejection be withdrawn and that the claims 1, 2, 16, 19-21, as amended be allowed.

Moreover, with respect to claims 3-15, 17-18, which also stand rejected under Section 103, because they depend upon, and therefore incorporate all of the elements of the respective independent claims upon which they depend, the Applicant hereby traverses the rejection and

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incorporates by reference all of the foregoing arguments. Accordingly, since claims 3-15 and 17-18 are also not obvious over Basch, the Applicant respectfully requests that they also be allowed as submitted. For similar reasons the Applicant also requests that new claims 22-24 also be allowed as submitted.

CONCLUSION

For the foregoing reasons, the undersigned respectfully submits that claims 1-24, as amended, are in condition for allowance, and such allowance is courteously urged.

Respectfully submitted,

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